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SUBJECT: View That Iraqis in Jordan Are Only a Burden on the Economy
Not Substantiated By Available Data

REF: A) Amman 4575
B) Amman 4338
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D) Amman 3819
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¶1. (SBU) SUMMARY: The prevailing view shared by the Jordanian public and government officials is that the Iraqi presence has further strained Jordan's already stretched budget, with a significant negative impact on the education and health systems, and an inflationary impact on prices. After reviewing what numbers are available, however, there is little direct evidence that Iraqi refugees in Jordan have had a detrimental net impact on the economy.

The first large waves of Iraqis after 2003 served as an economic stimulus, with Iraqi investments in industry and real estate contributing to Jordan's sustained growth in recent years. Iraqis are also disproportionately represented in higher education, teaching in popular fields such as computer science, management information systems, and economics. Concerns about the negative economic impact of Iraqis in Jordan are amplified by fear that continued regional instability could result in an even greater refugee flow to resource-poor Jordan as it struggles to implement tough economic reform measures amid rising prices and inflation. Even if the net impact of the Iraqi presence on Jordan's economy is not as negative as often asserted, this does not lessen the depth of feeling among many Jordanians about the perceived burden, nor does it alter the basic fact that Jordan's education and health care systems are being stretched. END SUMMARY.

Increased Spending Not Purely a Direct Result of Iraqis

¶2. (SBU) Irrespective of Iraqi flows to Jordan, GOJ expenditures have increased across the board, and despite a second budget supplement, Jordan still faces a substantial deficit (Ref B). Rising global fuel and grain costs are largely behind the shortfall,

but many believe increased costs are due, in part, to the presence of thousands of Iraqis in Jordan. Senior GOJ officials have at times cited the annual cost to Jordan of Iraqi refugees to be USD 1.4-2 billion. These figures are broad estimates because no concrete data is available, explained Fida Gharibah, Director of the Iraqi Coordination Unit in the Ministry of Planning and International Cooperation (MOPIC). Gharibah's office monitors the economic impact of Iraqis in Jordan, and coordinates donations and cooperation with the Iraqi Government and international community. One verifiable expense, according to statistics from the Ministry of Finance, is a steady increase in "security costs," which increased from USD 288 million in 2003 to USD 392 million in 2006. While the bulk of these costs includes pensions for military retirees and other, clearly domestic Jordanian-induced costs, a significant portion was likely allocated to border security. Central Bank officials told Econoffs that Jordan had no option but to increase military expenditures given regional tensions and the 2005 terror attacks on three hotels in Jordan carried out by Al Qaeda in Iraq.

13. (SBU) Food prices have also risen, reaching a peak last Ramadan (Ref E). According to a study from the University of Jordan's Center for Strategic Studies (www.jcss.org), food prices have risen 21 percent since 2002, and in 2006, rising food prices accounted for half of that year's total inflation. The study attributes rising costs to a variety of factors, including a decrease in the availability of local products because of the export of Jordanian dairy products and product to feed U.S. troops in Iraq. Still, the Ministry of Agriculture (MOA) has not reported any significant increases in the demand for basic food commodities that could have been caused by an increase in the Iraqi population in Jordan. MOA reports show a slight increase in the demand of beef to 23,394 tons in 2004 from 20,208 tons, a rise that may have been due to the initial Iraqi migration to Jordan. Recent decreases in net demand

(19,467 tons in 2005) can be attributed to higher prices resulting from increased costs for animal feed (Ref G).

Education Sector Swells Due to Iraqi Presence

14. (SBU) A reported 24,000 Iraqi students were registered at Jordan's already-crowded schools as of September 26. Financially, their enrollment was made possible through UNHCR, with considerable support from the U.S. and other donors, to cover some of the annual costs, estimated at USD 700 per Iraqi child for primary school and USD 1,000 for secondary education (Ref F). Ahmad Shaheen, spokesperson for the Ministry of Education, issued assurances that the door would remain open for more students regardless of the residency status of their parents. At the post-secondary level, 2,209 Iraqi undergraduate students and 294 graduate students attended Jordanian universities in 2007. Munther Batainah, Assistant Secretary General of the Ministry of Higher Education, said almost all went to private universities "and therefore were not a burden to the system" as they paid private tuition rates, an average of USD 4,230 per student per year and estimated annual total of USD 10.5 million.

15. (SBU) While elementary and secondary schools have had to adjust to accommodate additional students, Jordan's higher education system would suffer without an Iraqi presence. Samira Arrar, Head of the Jordanian Council of Higher Education, reported that 90 percent (718 of 797) of non-Jordanian, Arab professors in Jordan were Iraqis. The majority were graduates of reputable U.S. or UK universities who specialized in high-demand fields such as computer science, management information systems, and economics. Outside of the education sector, very few Iraqis are formally employed in Jordan. A Ministry of Labor report shows that at the beginning of 2007, 1,645 Iraqis were registered legal foreign workers compared to 201,591 Egyptians.

Conflicting Data on the Impact on the Health System

16. (SBU) MOPIC's Gharibah also reported that the Ministry of Health did not keep records on the nationalities of foreigners, explaining that registered users were listed simply as either Jordanian or non-Jordanian. She said healthcare services in Jordan were

subsidized at a rate of 60 percent, and thus MOPIC estimated Iraqis cost the health system USD 42.3 million annually, an amount completely covered by the GOJ's budget with no use of foreign aid funds. This estimate includes doctor visits at USD 7 per person, hospital stays at USD 99 per night, and vaccinations at USD 42 per child. Gharibah added that the health system was under pressure because of increases in common diseases and the introduction of high-risk diseases like tuberculosis which had heretofore not been prevalent, with which 700 Iraqis were diagnosed in 2006.

Iraqi Investment in Jordan

¶17. (U) Despite reports, which began in 2003, of a major influx of Iraqis buying real estate in Jordan, Ministry of Finance reports show municipal real estate sales tax revenues increased only slightly from USD 50.3 million in 2003 to USD 52.5 million in 2004 and to USD 63 million in 2005. 2006 figures are not yet available. Representatives from real estate and housing companies informed EconOffs that most of their sales were made to Jordanians, and the surge in prices was consistent with increases in the broader Middle East region. Financial Advisor Sahel Annabi added that for resource-poor Jordan, real estate historically has been the most popular sector for Jordanian investors.

¶18. (SBU) Iraqi business investment, however, has been significant, increasing twenty-fold between 2004 and 2006, according to the Jordan University study. Jordan Investment Board (JIB) CEO Dr. Maen Nsour confirmed that after Saudi Arabia and Kuwait, Iraqis were the largest investors in Jordan, taking advantage of Jordan's investment promotion law which offers tax incentives and some customs exemptions. JIB statistics reveal that between 2000 and June 2007, USD 3.82 billion of Iraqi money was invested in Jordan, of which

93.2 percent went to industrial investments, taxed at regular rates. The remaining 6.8 percent represents a small number of Iraqi companies that enjoy special tax exemptions under the investment law. Nsour added that JIB carefully vets smaller investors (USD 500,000-600,000) as many Iraqis attempted to use their investments as a means of obtaining residency permits. Iraqi Embassy Commercial Attache Hadi Al-Safar recently informed EconOffs that Iraqi businessmen in Jordan are now looking for new investment opportunities and targeting the Gulf states and Turkey.

¶19. (SBU) El-Tigani Ibrahim, IMF representative for Iraq based in Amman, commented to EconOffs that the IMF was not convinced Iraqis represented a substantial net burden for the GOJ. On the contrary, Iraqis have served as a stimulus to the Jordanian economy by creating an increased demand for real estate, tourism, commodities, and direct retail sales. Zaid Bader, the World Bank's Chief Representative for Iraq, also posited that Iraqis in Jordan have actually contributed to the economic growth of Jordan.

Number of Iraqis in Jordan Still Subject to Debate

¶10. (SBU) While the true impact of Iraqis on the Jordanian economy remains contested, an even greater debate continues to rage regarding the actual number of Iraqis in Jordan. Estimates of the size of this population have varied from 130,000 on the low end, to greater than 750,000. The GOJ currently estimates the Iraqi population to be in the 470,000-500,000 range, which was recently published by the Norwegian NGO research institute Fafo following protracted discussions with the GOJ on methodology. In conversations with EconOffs, the UNHCR and the International Organization for Migration (IOM) favored the lower estimate, with IOM commenting that its operations "were consistent with that capacity."

¶11. (U) According to the demographic data in the November 2007 Fafo report, the majority of Jordan's Iraqi population is composed of families who arrived in 2004 and 2005 from Baghdad and now live in Amman. 68 percent of the migrants are Sunni Muslims, 17 percent Shiite Muslims, and 12 percent Christians. They are well educated, and 22 percent of the adults held jobs; 13 percent of men, and 25 percent of women are self-employed. Only 25 percent of Iraqis in Jordan own their residences; the remainder rent accommodations in urban areas, and are dependent on, and benefit from, existing

infrastructures. Despite the high level of education and employment rates, the Fafo results showed that the majority of Iraqis live on savings or remittances from Iraq, making them particularly economically vulnerable.

¶12. (SBU) COMMENT: While the numbers available fail to support the argument that the Iraqi refugee presence has been solely detrimental to economic conditions in Jordan, the perception remains, and Jordan's key social services such as education and healthcare are clearly being stretched by the Iraqi presence. More broadly, many in Jordan fear the implantation of another semi-permanent refugee population like the Palestinians. END COMMENT.

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